



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0354	Title:	Revise physician medicaid reimbursement conversion factor
Primary Sponsor:	Lind, Greg	Status:	As Amended

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$853,542	\$1,812,582
Federal Special Revenue	\$0	\$0	\$1,856,975	\$3,943,472
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$1,856,975	\$3,943,472
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>(\$853,542)</u>	<u>(\$1,812,582)</u>

Description of fiscal impact:

This proposal defines and clarifies the Medicaid Reimbursement conversion factor for physicians and allows the Department of Public Health and Human Services to adopt policy adjusters beginning in FY 2010. The definition of the conversion factor will increase the rate paid for services provided by physicians.

FISCAL ANALYSIS

Assumptions:

1. To calculate the conversion factor increase for all four years, this fiscal note includes a 2.5 % provider rate increase for each year of the 2009 biennium. If the 2009 biennium provider rate is not approved by the legislature, then the fiscal impact in FY 2010 and FY 2011 is decreased.
2. The total amount of physician services in FY 2006 paid to day (12/31/2006) is \$33,502,078.
3. Growth in Medicaid caseload is 6%.
4. The minimum increase in the conversion factor for FY 2010 through FY 2013 is 6% per year.
5. The table below shows the Medicaid caseload for physician's only, the conversion factor percentages, the total effect to the caseload by assuming the 2.5 percent each year in FY 2008 and FY 2009, if approved, and allowing the minimum 6 percent increase in FY 2010 and FY 2011:

	Total Medicaid Caseload Physician only with Percentage increases	Conversion Factor % increase	Total Effect
FY 2007	\$35,512,203		
FY 2008	\$38,530,740	2.5%	\$887,805
FY 2009	\$42,618,195	5.0%	\$1,775,610
*The FY 2008 and FY 2009 conversion factor is not shown as a fiscal impact since the proposed bill does not require an increase in the current biennium. Two and half percent (2.5%) provider rate is assumed to provide the base level for the 2011 biennium.			
FY 2010	\$45,175,286	6.0%	\$2,710,517
FY 2011	\$50,758,952	6.0%	\$3,045,537

6. FY 2011 actual increase which needs to be sustained: \$5,756,054 (\$2,710,517 [FY 2010] + \$3,045,537 {FY 2011}).
7. The Federal Medical Assistance Percentages (FMAP) is estimated at 68.51 in FY2010, and 68.51 in FY2011. The funding split is shown below:

	Avg. Costs	General fund	Federal Fund
FY 2010	\$2,710,517	\$853,542	\$1,856,975
FY 2011	\$5,756,054	\$1,812,582	\$3,943,472

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Benefits	\$0	\$0	\$2,710,517	\$5,756,054
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$853,542	\$1,812,582
Federal Special Revenue (03)	\$0	\$0	\$1,856,975	\$3,943,472
TOTAL Funding of Exp.	\$0	\$0	\$2,710,517	\$5,756,054
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$1,856,975	\$3,943,472
TOTAL Revenues	\$0	\$0	\$1,856,975	\$3,943,472
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	(\$853,542)	(\$1,812,582)
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

Long-Range Impacts:

Beginning in FY 2010 through FY 2013, this bill limits the Department of Public Health and Human Services' ability to adjust Medicaid rates by putting in place, through statute, an annual 6% increase for the

Medicaid conversion factor for physicians. This will result in an additional \$13 million/year in FY 2013 and beyond.

Technical Notes:

Commencing in fiscal year 2014, SB 354 requires reimbursement for physicians in the Medicaid program to be based upon conversion factors submitted by the top five insurers or third-party administrators. The information supplied is to be kept confidential as required by section 3. It is likely that lawsuits will be filed challenging the ability of the state to keep this information confidential if it is to be used for the establishment of a payment rate system. This could potentially discourage insurers from sharing their proprietary information with the Department. If none of the insurers are willing to share the information with the Department it would not be possible to establish a rate as required by this bill. If some of the top five insurers or third party administrators are unwilling to share their proprietary information it may skew the results of the conversion factoring.

Sponsor's Initials

Date

Budget Director's Initials

Date